

Note: This document is an English translation of the “Kessan Tanshin” for the third quarter of the fiscal year ending March 31, 2023 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese and English versions, the Japanese version will govern.



## Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2023 (J-GAAP)

January 31, 2023

Company name: ID Holdings Corporation  
 Listing: Tokyo Stock Exchange, Prime Market  
 Securities code: 4709  
 URL: <https://www.idnet-hd.co.jp>  
 Company representative: Masaki Funakoshi, President and Representative Director  
 Direct inquiries to: Yasuhiro Araki, Senior Officer  
 Manager, Corporate Strategy Department  
 Tel: +81 3-3262-5177  
 Scheduled date of filing of Quarterly Securities Report: February 3, 2023  
 Scheduled date of dividend payment: —  
 Preparation of supplementary materials on financial results: Yes  
 Presentation on quarterly results: No

(Amounts of less than ¥1 million are truncated)

### 1. Consolidated Financial Results for the First Nine Months of FY2022 (April 1–December 31, 2022)

#### (1) Consolidated Business Results

(% indicates YoY changes)

|           | Net sales |      | Operating income |      | Ordinary income |      | Net income attributable to owners of parent |      |
|-----------|-----------|------|------------------|------|-----------------|------|---|------|
|           | ¥ million | %    | ¥ million        | %    | ¥ million       | %    | ¥ million                                   | %    |
| Q3 FY2022 | 23,023    | 12.9 | 1,855            | 51.4 | 1,934           | 52.4 | 1,119                                       | 72.3 |
| Q3 FY2021 | 20,396    | —    | 1,225            | —    | 1,269           | —    | 649   | —    |

Note: Comprehensive income Q3 FY2022 ¥1,336 million (85.4%) Q3 FY2021 ¥736 million (—%)

|           | Net income per share | Diluted net income per share | EBITDA    |      | EPS before amortization of goodwill |      |
|-----------|----------------------|------------------------------|-----------|------|-------------------------------------|------|
|           | ¥                    | ¥                            | ¥ million | %    | ¥                                   | %    |
| Q3 FY2022 | 67.50                | —                            | 2,309     | 36.5 | 87.59                               | 52.5 |
| Q3 FY2021 | 37.97                | 37.88                        | 1,692     | —    | 57.44                               | —    |

- Notes: 1. From the beginning of the consolidated first quarter of the previous fiscal year, the Group has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP). The numerical figures in the above Q3 FY2021 consolidated business results constitute the figures after the application of this standard. As such, YoY comparisons are not provided.
2. Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. The figures for net income per share, diluted net income per share and EPS before amortization of goodwill are calculated as if this share split had occurred at the beginning of the previous consolidated fiscal year.
3. Diluted net income per share during the consolidated first nine months under review is not listed, as the Group has no potential shares.

#### (2) Consolidated Financial Position

|           | Total assets | Net assets | Equity ratio |
|-----------|--------------|------------|--------------|
|           | ¥ million    | ¥ million  | %            |
| Q3 FY2022 | 16,328       | 10,131     | 61.7         |
| FY2021    | 16,238       | 9,446      | 57.9         |

Reference: Equity Q3 FY2022 ¥10,079 million FY2021 ¥9,400 million

### 2. Dividends

|                   | Annual dividends     |                       |                      |                      |       |
|-------------------|----------------------|-----------------------|----------------------|----------------------|-------|
|                   | End of first quarter | End of second quarter | End of third quarter | End of fiscal period | Total |
|                   | ¥                    | ¥                     | ¥                    | ¥                    | ¥     |
| FY2021            | —                    | 20.00                 | —                    | 20.00                | 40.00 |
| FY2022            | —                    | 20.00                 | —                    | —                    | —     |
| FY2022 (forecast) | —                    | —                     | —                    | 20.00                | 40.00 |

Note: Revision of most recently published dividend forecast: No

### 3. Forecasts of Consolidated Results for FY2022 (April 1, 2022–March 31, 2023)

(% indicates YoY changes)

|                              | Net sales |     | Operating income |     | Ordinary income |     | Net income attributable to owners of parent |     | Net income per share |
|------------------------------|-----------|-----|------------------|-----|-----------------|-----|---|-----|----------------------|
|                              | ¥ million | %   | ¥ million        | %   | ¥ million       | %   | ¥ million                                   | %   | ¥                    |
| FY2022<br>(full fiscal year) | 29,000    | 4.3 | 1,950            | 4.3 | 2,000           | 4.0 | 1,100                                       | 5.1 | 66.30                |

|                              | EBITDA    |     | EPS before amortization of goodwill |     |
|------------------------------|-----------|-----|-------------------------------------|-----|
|                              | ¥ million | %   | ¥                                   | %   |
| FY2022<br>(full fiscal year) | 2,580     | 3.5 | 93.09                               | 6.0 |

Note: Revision of most recently published results forecast:

No

#### \*Notes

(1) Changes in important subsidiaries during the period  
Changes in specified subsidiaries resulting in change in consolidation scope

No

(2) Adoption of special accounting treatments for quarterly consolidated financial statements:

No

(3) Changes in accounting policies, changes in accounting estimates and restatements:

(i) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

(ii) Changes in accounting policies other than (i): No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

Note: For details, please refer to (3) Notes on Consolidated Financial Statements (Changes in Accounting Policies) under Section 2. Consolidated Financial Statements and Important Notes on page 11 of the Attachment.

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding (inclusive of treasury stock):

|           |                   |           |                   |
|-----------|-------------------|-----------|-------------------|
| Q3 FY2022 | 18,066,453 shares | FY2021    | 18,066,453 shares |
| Q3 FY2022 | 1,471,998 shares  | FY2021    | 1,476,462 shares  |
| Q3 FY2022 | 16,590,487 shares | Q3 FY2021 | 17,114,359 shares |

(ii) Amount of treasury stock:

(iii) Interim average number of shares  
(Consolidated total for the quarter)

Note: Effective July 1, 2021, the Group executed a share split at a ratio of 1.5 new shares per previous common share. The figures for number of shares outstanding, amount of treasury stock and interim average number of shares are calculated as if this share split had occurred at the beginning of the previous consolidated fiscal year.

(5) Calculation of certain management indices

• EBITDA = Operating income + depreciation + amortization of goodwill

• EPS before amortization of goodwill = Net income after adjustments\* ÷ interim average number of shares

\*Net income after adjustments = Net income attributable to owners of parent + amortization of goodwill

\* These quarterly consolidated financial results are not subject to quarterly review by a certified public accountant or audit corporation.

\* Qualitative information relating to the appropriate use of results forecasts, and other noteworthy items

Results forecasts are estimates based on information available as of the day the results were announced. Forecasts are inherently uncertain. The actual results, etc. may be different from the forecasts because of changes in business conditions, etc. See (3) Qualitative Information on the Consolidated Results Forecast under Section 1. Qualitative Information on the Third Quarter of the Fiscal Year Ending March 31, 2023, on page 6 of the Attachment for the assumptions that form the basis of results forecasts and other things to remember when relying on results forecasts.

The ID Group has also introduced a board benefit trust (BBT) and Japanese employee stock ownership plan (J-ESOP). Company shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust property for the BBT and J-ESOP plans are included in treasury stock.

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## **1. Qualitative Information on the Third Quarter of the Fiscal Year Ending March 31, 2023**

### **(1) Qualitative Information on the Consolidated Business Results**

During the consolidated cumulative third quarter under review (Q1–3 FY2022: April 1 to December 31, 2022), the Japanese economy was beset by challenges on all sides. As vaccination against COVID-19 progressed nationwide, restrictions on activity were eased, stirring hopes that an economic recovery was in the offing. However, as the Russian invasion of Ukraine dragged on, resource prices spiked and the yen exchange rate slipped, stoking inflation. Future prospects remain stubbornly unclear.

Fortunately for the ID Group, the information services industry, to which the Group belongs, is on a firmer footing. Demand for IT investment related to digital transformation (DX), an approach aimed at establishing new business models and transforming existing ones, was solid and is expected to continue to enjoy steady support. Moreover, while the impact of the COVID-19 pandemic lingers on, corporate clients' needs for IT investment, previously restrained, are continuing to bounce back.

Amid the environment just described, business results for the ID Group trended favorably in system operation management; software development; and cybersecurity, consulting and training. Net sales jumped 12.9% from the same period of the previous fiscal year (YoY) to ¥23.023 billion.

Earnings results were even more satisfying. Although cost of sales climbed as a result of Group reorganization, the Group's high-margin DX-related business expanded. As sales grew, so did earnings. Operating income soared 51.4% YoY to ¥1.855 billion, and ordinary income leapt 52.4% YoY to ¥1.934 billion. Net income attributable to owners of parent surged 72.3% YoY to ¥1.119 billion, while EBITDA broadened 36.5% YoY to ¥2.309 billion.

The Group's business consists of a single segment. Business results for each service are as follows.

(Millions of ¥)

|  |                     | Previous consolidated<br>cumulative third quarter<br>(April 1, 2021 to<br>December 31, 2021) | Consolidated cumulative<br>third quarter under<br>review<br>(April 1, 2022 to<br>December 31, 2022) | Compared with same period of<br>previous fiscal year (YoY) |                                      |
|--|---------------------|--|---|--|--------------------------------------|
|  |                     |  |   | Increase/<br>decrease                                      | Rate of<br>increase/<br>decrease (%) |
| System operation<br>management               | Net sales           | 9,053  | 10,103  | 1,049  | 11.6                                 |
|  | Gross profit        | 2,162  | 2,210   | 47   | 2.2                                  |
|  | Gross profit margin | 23.9%  | 21.9%   | -2.0P  | —                                    |
| Software<br>development                      | Net sales           | 7,638  | 8,545   | 907  | 11.9                                 |
|  | Gross profit        | 1,655  | 1,910   | 255  | 15.4                                 |
|  | Gross profit margin | 21.7%  | 22.4%   | 0.7P   | —                                    |
| IT infrastructure                            | Net sales           | 1,911  | 1,908   | -2   | -0.1                                 |
|  | Gross profit        | 478  | 477   | -1   | -0.3                                 |
|  | Gross profit margin | 25.1%  | 25.0%   | -0.1P  | —                                    |
| Cybersecurity,<br>consulting and<br>training | Net sales           | 1,515  | 2,122   | 607  | 40.1                                 |
|  | Gross profit        | 464  | 450   | -14  | -3.2                                 |
|  | Gross profit margin | 30.7%  | 21.2%   | -9.5P  | —                                    |
| Others                                       | Net sales           | 277  | 343   | 65   | 23.8                                 |
|  | Gross profit        | 103  | 40  | -63  | -61.4                                |
|  | Gross profit margin | 37.4%  | 11.7%   | -25.8P   | —                                    |
| Total  | Net sales           | 20,396   | 23,023  | 2,627  | 12.9                                 |
|  | Gross profit        | 4,866  | 5,088   | 222  | 4.6                                  |
|  | Gross profit margin | 23.9%  | 22.1%   | -1.8P  | —                                    |

(i) System operation management

Reinforced sales efforts toward major IT vendors led to expansion in transactions, while orders received from existing financial-related customers increased. Net sales lifted 11.6% YoY to ¥10.103 billion.

(ii) Software development

Reinforced sales efforts toward major IT vendors led to expansion in transactions, while previously postponed major projects with existing transport-related customers were restarted and orders from existing financial-related and public-sector-related customers grew. Net sales rose 11.9% YoY to ¥8.545 billion.

(iii) IT infrastructure

Although transactions with existing financial-related customers expanded, some projects with existing customers related to IT and the public sector wrapped up. Net sales declined 0.1% YoY to ¥1.908 billion.

(iv) Cybersecurity, consulting and training

This category benefited from rising order acceptance in cybersecurity and growing product sales, as well as increasing sales in consulting. Net sales rose 40.1% YoY to ¥2.122 billion.

(v) Others

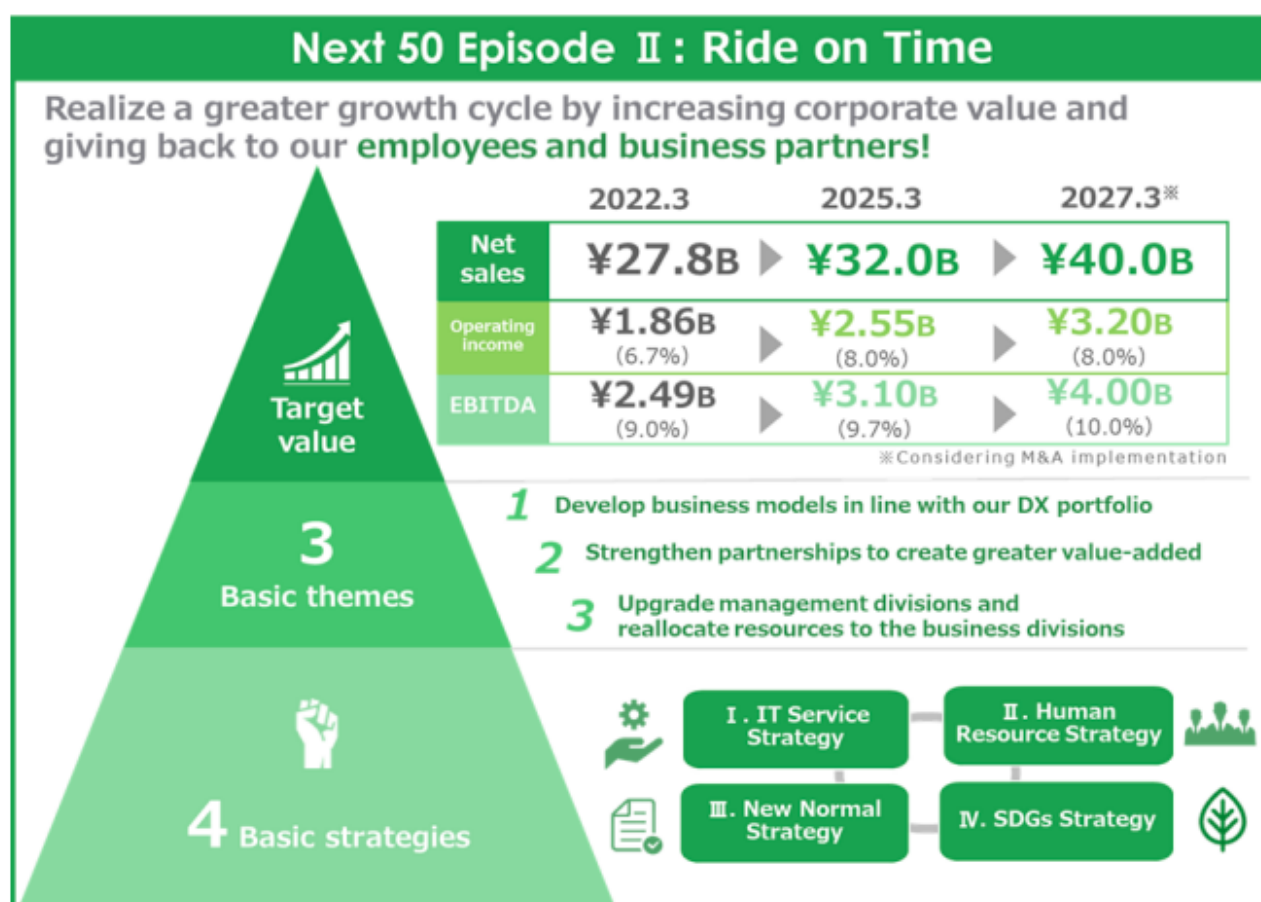
Although major orders received in the previous fiscal year left a gap in product sales in Q1-3, orders expanded YoY in data entry and product sales. Net sales increased 23.8% YoY to ¥343 million.

## Management Policy Initiatives

Guided by its previous Mid-term Management Plan, Next 50 Episode I: Awakening!, the Group strove to develop engineers who are experts in digital technology and boost the quality of service in each domain, while establishing a solid foundation for future growth. The ID Group also composed its next Mid-term Management Plan, Next 50 Episode II: Ride on Time, which covers the period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025. Aiming to achieve further improvements in profitability, starting in the fiscal year ending March 31, 2023, the Plan focuses on three basic themes:

- 1) Develop business models in line with the Group's DX portfolio of a) strengthening support for clients' advancement of DX and b) development of Group proprietary solutions
- 2) Strengthen partnerships to create greater value-added
- 3) Upgrade management divisions and reallocate resources to the business divisions

To achieve success in the three basic themes of the next Mid-term Management Plan as outlined above, the ID Group is advancing four basic strategies: an IT Service Strategy, a Human Resource Strategy, a New Normal Strategy and an SDGs Strategy.



Note: "Business partners" refers to IT partners with whom we will collaborate on project execution.

(i) IT Service Strategy

After identifying technology domains where needs are highest, the Group will collaborate with partners to support the advancement of customers' DX, while working to develop proprietary solutions in growth fields. To respond to customers' needs to strengthen and streamline their business continuity plans, the Group offers Smart Unyo, a SaaS-type system operation service. To enable companies to run their businesses anywhere and anytime, the Group is working on proof-of-concept for a virtual operation center that uses the metaverse. We also launched ID-Ashura, a service brand focused on cybersecurity. To respond to customer needs in cyber-insurance, the Group began applying cyber-insurance product accessories in October 2022.

(ii) Human Resource Strategy

To expand its DX services and boost their value-added, the Group is further enhancing its training system while cultivating mid- to senior-level engineers and planning-and-proposal personnel. In addition to building and operating a Japanese-style job-description system, the Group aims to encourage sharing of technical knowledge among employees through in-house systems. For example, the development division created training programs on the subjects of cloud computing, low-code computing and AI and began supporting employees' efforts to obtain qualifications. The Group also provided employees with a DX-related training environment, enlisting 402 participants in the nine-month period under review.

(iii) New Normal Strategy

The ID Group is overhauling its in-house trunk systems to bolster work efficiency and quality and is assembling a smart administrative division. To boost Group-wide productivity, the Group made several moves to adjust its internal systems, including centralization of management of data using a shared information platform and exploring options for overhauling its workflow systems. The Group also reassigned personnel from the administrative division to the operating division, reduced duplication of operations and moved forward with work sharing.

(iv) SDGs Strategy

By improving sustainability through its business activities, the ID Group is aiming to achieve a virtuous cycle between "solving social issues" and "enhancing corporate value." The Group concluded an agreement with the Town of Kofu in Tottori Prefecture to advance DX in administration and move toward regional coexistence. The Group also switched the electricity used at its head office building to renewable energy, dramatically reducing its generation of greenhouse gases. The Group also carried out activities to contribute to communities, such as by donating food and picture books to Kodomo Shokudo, a children's charity; conducted activities to preserve the environment, such as beach cleaning by volunteers; and supported culture and fine arts, for example by presenting classical concerts. Moreover, the Group's efforts on diversity and disclosure of human capital earned high praise, receiving three and a half stars and three stars respectively in the Nikkei surveys of smart-work management and SDGs management.

**(2) Qualitative Information on the Consolidated Financial Position**

**(Assets)**

Assets at the end of consolidated Q3 FY2022 increased by ¥89 million from the end of the previous fiscal year, to ¥16.328 billion. Although cash and deposits decreased by ¥698 million and amortization of goodwill reduced assets by ¥333 million, contract assets increased by ¥1.138 billion.

**(Liabilities)**

Liabilities at the end of consolidated Q3 FY2022 amounted to ¥6.197 billion, down ¥594 million from the end of the previous fiscal year. Although accounts payable—trade increased by ¥148 million, income taxes payable declined by ¥459 million and long-term loans payable decreased by ¥325 million.

**(Net Assets)**

Net assets at the end of consolidated Q3 FY2022 increased by ¥684 million from the end of the previous fiscal year, to ¥10.131 billion. Although payment of year-end and interim dividends reduced net assets by ¥680 million, net income attributable to owners of parent increased to ¥1.119 billion and valuation difference on available-for-sale securities rose by ¥177 million.

**(3) Qualitative Information on the Consolidated Results Forecast**

There have been no changes to the full-year results projections as released by the ID Group on April 28, 2022.



## 2. Consolidated Financial Statements and Important Notes

### (1) Consolidated Balance Sheet

(Thousands of ¥)

|                                    | Previous consolidated accounting<br>period<br>As of March 31, 2022 | Consolidated third quarter under<br>review<br>As of December 31, 2022 |
|------------------------------------|--|---|
| <b>Assets</b>                      |  |   |
| Current assets                     |  |   |
| Cash and deposits                  | 4,908,300  | 4,209,628   |
| Notes receivable–trade             | 2,200  | 5,900   |
| Accounts receivable–trade          | 4,503,942  | 4,389,138   |
| Contract assets                    | 419,034  | 1,557,777   |
| Work in process                    | 18,010   | 21,577  |
| Accounts receivable–other          | 297,217  | 219,965   |
| Other                              | 233,028  | 337,242   |
| Allowance for doubtful accounts    | –40,068  | –40,068   |
| Total current assets               | 10,341,666   | 10,701,162  |
| Non-current assets                 |  |   |
| Property, plant and equipment      | 1,398,451  | 1,355,956   |
| Intangible assets                  |  |   |
| Goodwill                           | 1,748,603  | 1,415,251   |
| Software                           | 105,729  | 165,015   |
| Other                              | 6,194  | 771   |
| Total intangible assets            | 1,860,527  | 1,581,038   |
| Investments and other assets       |  |   |
| Investment securities              | 1,515,460  | 1,832,331   |
| Deferred tax assets                | 526,419  | 277,929   |
| Guarantee deposits                 | 308,601  | 285,817   |
| Other                              | 295,259  | 301,998   |
| Allowance for doubtful accounts    | –7,500   | –7,500  |
| Total investments and other assets | 2,638,241  | 2,690,578   |
| Total non-current assets           | 5,897,220  | 5,627,573   |
| Total assets                       | 16,238,886   | 16,328,735  |

(Thousands of ¥)

|   | Previous consolidated accounting<br>period<br>As of March 31, 2022 | Consolidated third quarter under<br>review<br>As of December 31, 2022 |
|---|--|---|
| <b>Liabilities</b>                                    |  |   |
| Current liabilities                                   |  |   |
| Accounts payable-trade                                | 945,314  | 1,093,881   |
| Contract liabilities                                  | 47,510   | 137,136   |
| Short-term loans payable                              | 1,560,000  | 1,300,000   |
| Current portion of long-term loans payable            | 432,933  | 433,333   |
| Income taxes payable                                  | 647,216  | 187,983   |
| Provision for bonuses                                 | 827,876  | 510,259   |
| Provision for directors' bonuses                      | 13,324   | 11,451  |
| Provision for loss on orders received                 | —  | 12,532  |
| Other   | 1,021,163  | 1,420,855   |
| Total current liabilities                             | 5,495,341  | 5,107,433   |
| Non-current liabilities                               |  |   |
| Long-term loans payable                               | 725,100  | 400,000   |
| Deferred tax liabilities                              | 234,376  | 304,221   |
| Provision for directors' retirement benefits          | 25,332   | 27,666  |
| Net retirement benefit liability                      | 51,832   | 57,501  |
| Other   | 260,686  | 300,900   |
| Total non-current liabilities                         | 1,297,328  | 1,090,289   |
| Total liabilities                                     | 6,792,669  | 6,197,722   |
| <b>Net assets</b>                                     |  |   |
| Shareholders' equity                                  |  |   |
| Capital stock   | 592,344  | 592,344   |
| Capital surplus                                       | 733,644  | 733,711   |
| Retained earnings                                     | 8,096,543  | 8,536,282   |
| Treasury stock  | -817,549   | -815,996  |
| Total shareholders' equity                            | 8,604,982  | 9,046,342   |
| Accumulated other comprehensive income                |  |   |
| Valuation difference on available-for-sale securities | 567,216  | 744,376   |
| Foreign currency translation adjustment               | 224,026  | 282,650   |
| Remeasurements of retirement benefit plans            | 4,477  | 6,512   |
| Total accumulated other comprehensive income          | 795,720  | 1,033,539   |
| Non-controlling interests                             | 45,514   | 51,131  |
| Total net assets                                      | 9,446,217  | 10,131,013  |
| Total liabilities and net assets                      | 16,238,886   | 16,328,735  |

(2) Consolidated Statement of Income and Comprehensive Income  
(Consolidated Statement of Income)  
(Consolidated Cumulative Third Quarter)

(Thousands of ¥)

|  | Previous consolidated cumulative<br>third quarter<br>(April 1, 2021 to<br>December 31, 2021) | Consolidated cumulative third<br>quarter under review<br>(April 1, 2022 to<br>December 31, 2022) |
|--|--|--|
| Net sales  | 20,396,045   | 23,023,583   |
| Cost of sales  | 15,529,775   | 17,934,642   |
| Gross profit   | 4,866,269  | 5,088,940  |
| Selling, general, and administrative expenses        | 3,640,403  | 3,232,965  |
| Operating income                                     | 1,225,866  | 1,855,974  |
| Non-operating income                                 |  |  |
| Interest income                                      | 1,946  | 1,604  |
| Dividend income                                      | 20,947   | 33,455   |
| Subsidy income                                       | 9,877  | 17,843   |
| Other  | 46,985   | 38,266   |
| Total non-operating income                           | 79,757   | 91,170   |
| Non-operating expenses                               |  |  |
| Interest expenses                                    | 13,726   | 11,450   |
| Commitment line fees                                 | 18,939   | 308  |
| Other  | 3,895  | 1,090  |
| Total non-operating expenses                         | 36,561   | 12,850   |
| Ordinary income                                      | 1,269,061  | 1,934,295  |
| Extraordinary income                                 |  |  |
| Gain on sales of non-current assets                  | 1,015  | —  |
| Gain on reversal of subscription rights to shares    | 4,036  | —  |
| Total extraordinary income                           | 5,051  | —  |
| Extraordinary losses                                 |  |  |
| Loss on sales of non-current assets                  | 0  | —  |
| Loss on retirement of non-current assets             | 373  | 13,684   |
| Office relocation expenses                           | 15,755   | —  |
| Total extraordinary losses                           | 16,129   | 13,684   |
| Net income before income taxes                       | 1,257,983  | 1,920,610  |
| Income taxes—current                                 | 544,423  | 553,675  |
| Income taxes—deferred                                | 54,757   | 238,750  |
| Total income taxes                                   | 599,181  | 792,425  |
| Net income   | 658,802  | 1,128,184  |
| Net income attributable to non-controlling interests | 9,050  | 8,369  |
| Net income attributable to owners of parent          | 649,752  | 1,119,815  |

**(Consolidated Statement of Comprehensive Income)**  
**(Consolidated Cumulative Third Quarter)**

(Thousands of ¥)

|   | Previous consolidated cumulative<br>third quarter<br>(April 1, 2021 to<br>December 31, 2021) | Consolidated cumulative third<br>quarter under review<br>(April 1, 2022 to<br>December 31, 2022) |
|---|--|--|
| Net income  | 658,802  | 1,128,184  |
| Other comprehensive income  |  |  |
| Valuation difference on available-for-sale securities             | 38,781   | 177,159  |
| Foreign currency translation adjustment                           | 36,728   | 58,624   |
| Remeasurements of retirement benefit plans                        | 2,306  | 2,035  |
| Total other comprehensive income                                  | 77,815   | 237,818  |
| Comprehensive income  | 736,618  | 1,366,003  |
| (Breakdown)   |  |  |
| Comprehensive income attributable to owners of<br>parent          | 727,567  | 1,357,634  |
| Comprehensive income attributable to non-controlling<br>interests | 9,050  | 8,369  |

**(3) Notes on Consolidated Financial Statements**  
**(Notes on Assumptions Regarding Going Concern)**

None.

**(Notes on Significant Changes (If Any) in Shareholders' Equity)**

None.

**(Changes in Accounting Policies)**

(On application of *Implementation Guidance on Accounting Standard for Fair Value Measurement*)

The ID Group applies ASBJ Guidance No. 31 (revised June 17, 2021), *Implementation Guidance on Accounting Standard for Fair Value Measurement* (hereinafter "*Implementation Guidance on Accounting Standard for Fair Value Measurement*") as of the beginning of the consolidated first quarter of this fiscal year. In accordance with transitional handling in Paragraph 27-2 of *Implementation Guidance on Accounting Standard for Fair Value Measurement*, the Group has decided to apply the new accounting policy stipulated in *Implementation Guidance on Accounting Standard for Fair Value Measurement* now and in the future. The application of this new accounting policy does not impact the consolidated financial statements for the financial quarter under review.

**(Additional Information)**

(Estimation of accounts in view of the COVID-19 pandemic)

The Group calculates the estimates in its accounts of amounts of recoverable deferred tax assets based on information available at the time of preparation of the quarterly consolidated financial statements.

It is impossible to predict with any accuracy when the COVID-19 pandemic will end. However, its impact on Group operations during Q1–3 was limited. For this reason, the estimates of accounts are based on the assumption that the impact of the pandemic will be limited in the future as well.

If changes occur in the economic environment as a result of the COVID-19 pandemic, those changes may impact the financial condition and business results of the Group as well.

(Trades involving the delivery of Company shares to employees, etc. through a trust)

The ID Group introduced two performance pay plans: a "board benefit trust (BBT) plan" for Group directors and executive officers ("Directors, etc."), and a "Japanese employee stock ownership plan (J-ESOP)" for Group employees. The former is designed to encourage Directors, etc. to contribute to better mid- to long-term results and greater corporate value, and the latter is designed to motivate employees to increase the share price and improve results.

**(1) How the Plans Work**

At a meeting held on April 30, 2015, the Board of Directors approved the BBT for Directors, etc. as a way to provide directors' compensation. The BBT is a performance pay plan under which Company shares are acquired through a trust using money contributed by the ID Group, and those Company shares are then awarded to Directors, etc. through the trust based on their job performance, etc. as stipulated by the Officer Stock Benefit Rules established by the ID Group. Directors, etc. are generally eligible to receive the award of Company shares when they retire.

Under the J-ESOP, the ID Group awards shares to employees who satisfy certain conditions as stipulated under the Stock Benefit Rules previously established by the ID Group.

The ID Group awards points to the employees based on their years of service or promotions, and issues Company shares to the employees commensurate with the points that the employees have been awarded. The shares to be awarded to the employees in the future are acquired through a previously established trust, and those shares are segregated and managed as trust property.

**(2) Notes on the ID Group shares held in trust**

Shares in the ID Group held by BBT and J-ESOP at the end of the consolidated third quarter under review are listed in the consolidated balance sheet under "Net Assets" as "Treasury Stock." The book value of these shares was ¥133,298,000 at the end of the previous consolidated fiscal period and was ¥208,931,000 at the end of the consolidated third quarter under review. The number of shares was 365,197 at the end of the previous consolidated fiscal period and was 453,535 at the end of the consolidated third quarter under review.

**(Material Subsequent Events)**

None.